

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL THREE)

Docket No. RM2017-7

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-3 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**
(July 21, 2017)

The United States Postal Service hereby provides its response to Questions 1-3 of Chairman's Information Request No. 1, issued July 6, 2017. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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1. On page 8 of the Petition, the Postal Service includes Table A, which shows the projected impact of Proposal Three on revenue, pieces, and pounds for mail classes (excluding extra services) in the FY 2016 Revenue, Pieces, and Weight (RPW) Report.
 - a. Please provide all applicable spreadsheets with the supporting calculations and the sources for the data presented in Table A under the subtitles "Proposed" and "Current."
 - b. The largest increase in revenue per piece shown on Table A is for Retail Ground which grows from \$13.02 per piece to \$15.04, an increase of 15.5 percent. Please explain fully why the differences between the statistical sampling system and the proposed census system result in such a large difference in revenue per piece for Retail Ground.
 - c. Table A also shows the weight per piece for Retail Ground increasing disproportionately from 4.32 pounds per piece to 4.87 pounds per piece, an increase of 12.7 percent. Please explain fully why the differences between the statistical sampling system and the proposed census system result in such a large difference in weight per piece for Retail Ground.

RESPONSE:

- a. Please see the Excel file (ChIR.1.Prop.3.Qs.1.2.Tables.A.B) attached to this response electronically.
- b. The ODIS-RPW sample estimated 645,000 CPU pieces for Retail Ground in FY2016, compared with the complete census of 1,147,000 pieces (see Table A). Basically, revenue per piece is higher in the census data because weight per piece in the census data is higher than the ODIS-RPW sample estimate. Apparently, the Retail Ground pieces observed in the ODIS-RPW sample were more skewed toward the lower-weight price cells than the actual weight distribution reflected in the full census data. However, to put these differences in context, recall that the portion of total RPW Retail Ground volume entered

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bearing contract postal unit metered postage is less than 3 percent of total Retail Ground volume for FY2016. Therefore, the impact of the differences on the overall Retail Ground figures is minimal. Finally, the ability to extract a complete census of CPU pieces for RPW reporting is a vast improvement over a sampling system that does not target any specific class of mail or product.

c. As noted above, the ODIS-RPW sample apparently observed relatively more pieces in the lower-weight price cells.

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2. On page 9 of the Petition, the Postal Service includes Table B, which shows the projected impact of the proposed methodology on the revenues and pieces for extra services in the FY 2016 RPW Report.
- a. Please provide all applicable spreadsheets with the supporting calculations and the sources for the data presented in Table B under the subtitles "Proposed" and "Current."
 - b. Table B shows large revenue per piece increases for Insurance (\$2.16 to \$5.09), Registry (\$11.81 to \$18.91), and Restricted Delivery (\$4.97 to \$9.22). Please explain why the differences in the reporting systems would result in these large differences in revenue per piece.

RESPONSE:

- a. Please see the Excel file (ChIR.1.Prop.3.Qs.1.2.Tables.A.B) attached to this response electronically.
- b. We tend to see more variability in the ODIS-RPW estimates when isolating the data at a very granular level. The CPU subset of the data for insured, registered, and restricted delivery is less reliable than the overall data for each product.

In addition to variability in the estimates, insured, registered, and restricted delivery sample data are difficult to process because they do not necessarily provide all of the rate ingredients needed to properly classify the extra service revenue. Specifically, revenue for the parent piece and extra services is usually combined into one or more indicia on the mailpiece. Restricted Delivery also must be combined with another extra service for mailing, and insurance may or may not be indicated on the mailpiece when the extra service fee is \$0.00.

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Revenue and Volume Reporting has employed different approaches to disaggregate the parent and extra service revenue from these sample pieces, including using tracking information from the extra service and parcel barcodes, and a subtraction process to derive parent postage from the mailpiece characteristics. These approaches have been somewhat successful, but the most reliable data are from the source postage system, as detailed in our proposal.

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3. The proposal states that Contract Postal Units (CPUs) are limited to selling only Postal Service products and services. Proposal Three at 4. On the Postal Service website there is a description of the services provided at CPUs.¹ The list includes Priority Mail Express Service, Priority Mail Express International, and Priority Mail International, yet these products are not included in the Table A impact estimates. Please provide the volume, revenue, and weight impact on the aforementioned products resulting from Proposal Three.

RESPONSE:

The ODIS-RPW sampling system does not collect data for Priority Mail Express or any international mail products. These data are provided by census systems and the SIRVO-IODIS sampling system, and thus are unaffected by Proposal Three.

¹ The specific descriptions of CPU provided services are available at:
<http://about.usps.com/suppliers/becoming/contract-postal-unit.htm>.